

Entrepreneurial Skills

Introduction

Entrepreneurship is defined as the creation of a new business venture. However, it is important to recognize entrepreneurship is much beyond that. Entrepreneurship is everywhere. In our daily lives, we use various products and services that are provided by businesses. These businesses were created because of entrepreneurs. Entrepreneurship not only initiates creation of new businesses in different industries, but also positively impacts economic development. Entrepreneurship plays a crucial role in economic development, is characterized by dynamic economic activity and has its own rewards for the entrepreneur as well as for the economy.

Business – Meaning and Types

A business is defined as a continuous activity, where economic actions are taken by humans with the objective of earning a profit by either producing, sourcing, buying and selling of goods and services.

Hence, a business refers to an organization or enterprising entity engaged in commercial, industrial, or professional activities.

Businesses vary across industries and sectors. Based on economic activity, businesses are categorized in manufacturing, service and trading. Based on size, businesses are categorized into micro, small scale, medium scale and large scale. Based on business model, they might be categorized differently. Based on legal form, they have to follow different procedures and norms and thus are categorized differently.

Irrespective of nature, size, scale or ownership, businesses have some common features:

Trade-related: Business is a trade-related activity. It involves the purchase and sale of goods or services.

Economic or social motive: Usually, most businesses performs economic activities such as production, distribution, exchange, expansion etc. with the objective of earning a profit. However some businesses have the sole motive of social welfare. Yet, there are other businesses which have both the motives – social and economic.

Presence of an entrepreneur: More than an entrepreneur, there is a forerunner in every business. This person is responsible for taking the initiative of establishing, running and growing the business, making key decisions and undertaking the risks involved with it.

Regular Transactions: A business must be doing and dealing in transactions on a regular basis. An activity that involves only a one-time transaction where the transaction deals in exchange or transfer of goods and services cannot be necessarily considered as a business even if a profit is earned.

Uncertainty: Every business is featured with uncertainty of sales, return and success. There is no guarantee that the amount invested will come with return or the business will earn a

specific amount of profit. Similarly, there is uncertainty about whether customers will choose the product or service offered.

Types of Businesses

A business entity is defined as an enterprise or organization that uses economic inputs or resources, converts them into goods or services and provides them to its customers in exchange for money. In line with this definition, businesses are also categorized as follows:

Manufacturing Business: Manufacturing businesses source products that can be used as raw materials, with the intention of converting these materials to make an end product. This new product could be something that can be directly sold in the consumer market or could be a product that can be used in the value chain. These businesses focus on transformation of one product to create a new product. Most manufacturing businesses combine raw materials, technology, labor, plant and machinery and overheads in the process of production. Some examples of such businesses include manufacturing and selling of shoes, clothes, mobile phones, laptops, suitcases, metal products etc.

Service Business: As mentioned in the tertiary sector, a service business is involved into provision of intangible offering, i.e. a service that does not have a physical form but provides value to the customer. Services businesses offer value using skills, consultancy, expertise, efficiency etc. Some service businesses include banks, law firms, chartered accountants, financial consultants, beauty salons, schools, e-commerce platforms, event planners etc.

Merchandising Business: Merchandising businesses involves transfer of ownership or tangible products. Most of the times, in these type of businesses, products are bought at a wholesale price and sold at retail price. These businesses profit by selling products at a higher price than the purchase cost. The form of the product is not changed by a merchandising business, but it is sold in the same form. In merchandising businesses, it is important for the business to have keep enough inventory or stock. For example, convenience stores, resellers, distributors, grocery stores, supermarkets, retail clothing stores are examples of merchandising businesses.

Trading Business: A trading business is also involved in reselling of goods. However, the difference between a trading business and a merchandising business is that in trading business, a trader does not necessarily have to keep stock of inventory. Trading businesses work with different kinds of products and services that is sold to consumers, businesses or government organizations. Some activities trading businesses are involved in are buying of products or brokering of services, negotiating for prices and coordinating delivery. A trading business earns money from the profit margin purchase cost and selling price. Import and export of goods and services largely make up the trading sector. Some examples of trading businesses are real estate brokers, middlemen, importers, exporters, foreign exchange traders etc.

Hybrid Business: Hybrid businesses are some businesses that are involved in different activities ranging from manufacturing, service, merchandising etc. These could be business groups involved in different types of businesses that cannot be classified as a definite service business or a manufacturing business. It may not use the traditional methods of production and distribution. Sometimes, businesses that focus on socially beneficial goals are also termed as hybrid businesses. For example, though a traditional restaurant business is

classified as a service business, some are also considered to be hybrid businesses. If they are involved in combining ingredients to make different products, they are performing a manufacturing activity. If they are involved reselling of alcoholic items, it can be considered to be involved in merchandising. Similarly, it also provides the service of fulfilling customer orders. Hence, it can be categorized as a hybrid business.

Features of different types of businesses

	Services	Manufacturing	Merchandising
Prime Activity	Provision of service	Production of goods	Buying and selling of goods
Inventory	No inventory.	Three forms of inventory – Raw material, Work-in-progress and Finished goods	Only finished goods
End-products	Intangible	Physical goods (Tangible)	Physical goods (Tangible)
Labour	Skilled professionals and Experts	Skilled and unskilled labourers	Sales person
Location	Close to clients	Where labour and raw material cost is low	Close to end-consumers
Customer demand	Provides services as per the demands of the clients	Produce goods based on demand forecast	Sell the goods produced

Types of Businesses In Our Community

Based on size:

Micro Enterprise: According to the old categorization, a micro enterprise is a business enterprise where the investment in plant and machinery is not more than INR 25 lakhs or investment in equipment does not increase INR 10 lakhs. In recent years, the government has redefined this based on annual revenue. According to the new definition, a micro enterprise is one which has annual sales upto INR 5 crores.

Small Enterprise: According to the old categorization, an enterprise is considered to be a small enterprise if the investment in its plant and machinery is between INR 25 lakhs to INR 5 crores or investment in equipment is between INR 10 lakhs to INR 2 crores. According to the new definition by the Indian government, a small enterprise is a business which has an annual revenue between INR 5 crores to INR 75 crores.

Medium Enterprise: According to the old categorization, an enterprise is defined as a medium enterprise where the plant & machinery investment is more than INR 5 crores but less INR 10 crores or where the investment in equipment is more than INR 2 crores but does

not exceed 5 crores. Based on the factor of annual sales as per the new definition, a medium enterprise is defined to have revenue between INR 75 crores to INR 250 crores.

Large Enterprise: According to the old categorization, the enterprises where investment in plant and machinery exceeds INR 10 crores or investment in equipment exceeds INR 5 crores are said to be large units. Additionally, based on the new definition, those enterprises that generate an annual revenue of more than INR 250 crores are referred to as large enterprises.

Based on legal form:

Sole proprietorship: In a sole proprietorship, the ownership and control of the business is with one single person, and the liability of the owner is not separate from the entity.

One Person Company: A One Person company also has only one person as a member, who acts in the capacity of both, a shareholder and a director, but an OPC is legally separate from its owners. There is no threat on the owner's personal property in case of unmet liabilities.

Partnership: Partnership is a legal form, where at least two people, or more start a business as co-founders or co-owners and divide the share as per agreement. The partners are personally liable for an unlimited amount of liabilities.

Limited Liability Partnership: In an **Limited Liability Partnership**, there are two or more partners. In this, no one single partner or owner is individually responsible for any other partner's or member's negligence or misconduct or liability.

Company: A company is a legal entity formed by a group of individuals to get engaged in a business enterprise. Usually, these individuals have limited liability, and the capital in units of equal value of a company are called 'shares'.

Based on sector:

Primary sector: This sector includes businesses that involve extraction, retrieval, harvest and production of raw materials using natural products from the earth. For example, some raw materials include coal, wood, grains, iron, corn etc. Thus, some primary sectors include mining, agriculture, fishing, horticulture etc.

Secondary sector: The main activity of businesses in this sector is transformation of raw materials into finished goods. It takes products from primary sector and organizes all factors of production to make utility as well as luxury products.

Tertiary sector: This sector is defined by provision of services to businesses and customers. It is completely based on a service and there is no production of goods involved.

Activity I

Read the case study below and answer the questions given below:

Case Study: Naukri.com

Sanjeev Bikhchandani, the founder of Naukri.com, believes that entrepreneurship is all about taking action to convert creative ideas into a business plan and then into a successful business. Though, action is not the only thing that one needs to be an entrepreneur. The need

to deal with failure, stay persistent and handle uncertainty is the difficult part in entrepreneurship. Sanjeev learnt the difficult part during his entrepreneurial journey.

During his adolescent years, Sanjeev often noticed that everyone around him wanted job security through government jobs. However, the salary in a government job was meagre. Sanjeev realized at the age of 12 and decided that he would make a different choice for his career. Business was one career option that he thought would give him money and freedom. With this, he was determined to not look for jobs. However, his parents pressured him to pursue higher education and give the IIT-JEE entrance exam. Though he was able to clear the exam, Sanjeev decided to not take admission in IIT and pursued a Bachelor of Arts degree in economics.

After this, he pursued an MBA from IIM Ahmedabad and started working at Hindustan Milkfood Manufacturers (HMM). While working at HMM, he often observed his colleagues skim through magazines and newspapers that contained job listings. Although they were already employed, they were still curious to know the options available out there. This behavior was observed for working professionals at all levels. Many of his colleagues also received calls from head-hunters at least twice or thrice a week for jobs that were not even advertised anywhere. After keenly observing this pattern and talking to some people in the office, Sanjeev thought that he must figure out a way to market these jobs. For this, he realized that he would have to create a database of jobs. The only problem was people had not even heard of the internet in India, thus there was no facility as such where a database could be created and eventually accessed by customers and head-hunters.

With this, Sanjeev decided to drop the idea and started to think of other ideas. Soon, he quit his job and started two companies in partnership with his friend, 'Info Edge' and 'Indmark'. Leveraging the technology of creating databases, Info Edge provided the information about entry level salaries for graduates from different fields, where these salary reports were ultimately sold to companies. Indmark was a database that provided assistance for trademark registration, where the client paid for these consultancy services. Most of Indmark's clients were pharmaceutical companies, who paid to get detailed reports about pending applications, likelihood of trademark getting accepted etc. While these companies made little money, Sanjeev struggled to sustain them. Ultimately, the two partners decided to split up and Info Edge was taken by Sanjeev.

While Sanjeev was selling salary reports and conducting market studies, he came across the technology of the World Wide Web at an exhibition in Delhi. At this time, it was a very new concept. After deeply understanding the technology, he contacted his brother in the US to help him hire a server that could be used to build a portal for finding and marketing jobs. With this, he launched Naukri.com, the first India-based job portal.

Soon, Sanjeev started to get media coverage. Both his businesses, Info Edge and Naukri.com started to grow. While Info Edge could earn profit, it was not enough for even distribute salaries for all employees. On the other hand, Naukri.com was gaining more and more popularity as it was a pioneer in this space. Sanjeev decided to shut Info Edge and focus on building and running Naukri.com. As a result, by the third year of its operations, Naukri.com earned a turnover of INR 3.6 million. This is when the expected journey of Naukri.com was set.

Sanjeev grew the business by securing external finance and innovating in terms of building an efficient sales force. Soon the competition grew but Sanjeev was able to keep the business afloat by offering value-added products to customers. Seeing the success of Naukri.com, Sanjeev expanded its operations to other countries. He also acquired Jeevansathi.com, a matrimonial website and launched 99acres.com, a marketplace for real estate sites. In 2006, Sanjeev decided to do an Initial Public Offering for the company Info Edge that was the umbrella company for all of Sanjeev's businesses. This was an extremely successful move, which eventually led to Sanjeev's worth coming to INR 720 crore by 2007. Using his initial idea of commercializing databases and staying driven towards his goal of entrepreneurship, Sanjeev Bikhchandani is known to be one of the most successful Indian entrepreneurs.

Q. Which type of business does Sanjeev own?

Q. Do you think Sanjeev is an entrepreneur? Explain.

Q. What made Sanjeev start his business?

Q. What did Sanjeev do to grow his business?

Skill-Based Activities

I. Businesses Around Me

- Prepare list of businesses that provides goods and services in exchange for money.
- Prepare posters about businesses found in cities/villages, using pictures.
- Identify and discuss the various types of activities, generally adopted by small businesses in a local community.

II. Creativity in Business

- Create 3 or more products out of waste materials.
- Calculate the costing of the products made out of waste.
- Decide the prices and sell the products made from waste materials.

Entrepreneurial Development

Before delving into entrepreneurship development, let us understand the meaning of entrepreneurship.

Entrepreneurship is the process of identifying an opportunity and turning it into a venture. An entrepreneur is a person who undertakes risk to start a business of his/her own.

Entrepreneurship is a skill or an ability to act on ideas and build on opportunities and an entrepreneur is the one who always searches for change, responds to it and exploits it as an opportunity.

Entrepreneurship development is the process of strengthening the skills and knowledge of budding and existing entrepreneurs by handholding them during their entrepreneurial journey.

It involves enabling entrepreneurs through structured training and institution-building programs, which empowers them to run their business effectively and efficiently. These programs are concerned with the study of entrepreneurial behavior, dynamics of business planning and set-up and growth and development of the business.

Objectives of Entrepreneurship Development

The main aim of entrepreneurship development is to enlarge the base of entrepreneurs, encourage overall entrepreneurial activity and catalyze the pace at which new ventures are created. Some of the core objectives of entrepreneurship development include:

- Assisting entrepreneurs in undergoing the process of entrepreneurship.
- Handholding budding entrepreneurs to recognize and design unique business opportunities.
- Helping aspiring entrepreneurs start and grow dynamic businesses that provide high value add.
- Developing the motivational needs of entrepreneurs.
- Training entrepreneurs to develop the required skills and gain knowledge for running and managing a new business.
- Supporting entrepreneur in creating effective business plans.
- Providing incubation and acceleration to new ideas.
- Aiding in the availability of technology or raw material.
- Ensuring the infrastructure is adequate for entrepreneurial activities.
- Providing financial assistance from banks and other financial institutions.
- Creating a business environment and ecosystem that is suitable for entrepreneurship.

- Implementing norms, rules and policies for establishment of new enterprises in the dynamic economy.
- Providing incentives, tax benefits and subsidies to new enterprises.
- Encouraging research and development across industries.

Phases of Entrepreneurship Development

The process of entrepreneurship development is divided into three phases which are as follows:

Stimulatory phase: This phase involves generating interest and awareness among potential entrepreneurs. It is done by orienting them towards the meaning, process, benefits and practice of entrepreneurship. It is called stimulatory phase because it includes activities which stimulate the individual's need, interest and motivation for being an entrepreneur.

Support phase: This phase is all about supporting the new ventures in their establishment by mentoring, incubating, financing and advising the entrepreneurs. This includes providing support across various activities such as registration of enterprises; designing the right business model; development of the product prototype; arrangement of finance, land, shed and power; offering management consultancy services, and marketing support; guidance for selecting plant and machinery; and getting approvals and licenses etc.

Sustenance phase: In this phase, entrepreneurship development is focused on helping enterprises to grow after they have been established. It helps in continuous and efficient functioning of enterprises within a society. It includes activities such as modernization, diversification, expansion, getting additional finance, and research and development support to help an enterprise survive, develop and grow.

Challenges of Entrepreneurship Development

- Lack of continued motivation
- Lack of formal education
- Lack of availability of finance
- Technical knowledge
- Managerial skills
- Availability of resources and infrastructure
- Awareness about entrepreneurship schemes
- Regulatory framework
- Market linkages

Activity II

The Indian government has also taken various initiatives for entrepreneurship development. Some organizations were set up to implement policies for entrepreneurship development.

Some of these organizations, policies and initiatives include:

Ministry of Skill Development and Entrepreneurship
National Policy on Skill Development and Entrepreneurship 2015

Economic and dynamic activity: Entrepreneurship is an economic activity because it involves the creation and operation of an enterprise with a view to creating value or wealth by ensuring optimum utilisation of scarce resources. Since this value creation activity is performed continuously in the midst of uncertain business environment, therefore, entrepreneurship is regarded as a dynamic force.

Innovation: Innovation is the act of introducing something new. It can be a new product, service or a process. Entrepreneurship involves a continuous search for new ideas. Entrepreneurship compels an individual to continuously evaluate the existing modes of business operations so that more efficient and effective systems can be evolved and adopted. In other words, entrepreneurship is a continuous effort for synergy (optimization of performance) in organizations.

Profit potential: “Profit potential is the likely level of return or compensation to the entrepreneur for taking on the risk of developing an idea into an actual business venture.” Without profit potential, the efforts of entrepreneurs would remain only an abstract and a theoretical leisure activity.

Risk bearing: The essence of entrepreneurship is the ‘willingness to assume risk’ arising out of the creation and implementation of new ideas. New ideas are always tentative and their results may not be instantaneous and positive. Starting something new always involves risks and uncertainties. The reason for this/her is that the new business may incur profits or losses. It can also be because of the shortage of supplies for production or excessive cost incurred.

Characteristics of Entrepreneur and Entrepreneurship

Entrepreneur	Entrepreneurship
Person	Process
Organiser	Organisation
Innovator	Innovation
Risk- bearer	Risk-bearing
Motivator	Motivation
Creator	Creation
Visualiser	Vision
Leader	Leadership
Imitator	Imitation

Role of Entrepreneurship

Capital Formation: Entrepreneurship leads to value addition and creation of wealth, because entrepreneurs promote capital formation by mobilising the idle savings of public.

Employment Generation: Entrepreneurship provides immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large- scale numerous job opportunities are created for others.

Balanced Regional Development: Entrepreneurship helps to remove regional disparities through setting up of industries in less developed and backward areas. Setting up of more industries lead to more development of backward regions and thereby promotes balanced regional development.

Wealth Creation and Distribution: Entrepreneurship stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society.

Industrialization and Development: Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall economic development of an area due to increase in demand and setting up of more and more units. In

Rewards of Entrepreneurship

Creation of organisations: Entrepreneurship results into creation of organisations when entrepreneurs assemble and coordinate physical, human and financial resources and direct them towards achievement of objectives through managerial skills.

Development of managerial capabilities: The biggest significance of entrepreneurship lies in the fact that it helps in identifying and developing managerial capabilities of entrepreneurs. An entrepreneur studies a problem, identifies its alternatives, compares the alternatives in terms of cost and benefits implications, and finally chooses the best alternative.

Improving standards of living: By creating productive organisations, entrepreneurship helps in making a wide variety of goods and services available to the society which results into higher standards of living for the people.

Means of economic development: Entrepreneurship involves creation and use of innovative ideas, maximisation of output from given resources, development of managerial skills, etc., and all these factors are so essential for the economic development of a country.

Skill-based Activities

I. Explore the world of entrepreneurship

- Discuss in groups and prepare a chart to explain advantages of entrepreneurship, based on its characteristics, role and rewards.
- Interact with 5 entrepreneurs in your community OR Read about any 5 successful Indian entrepreneurs and their success stories.
- From the interviews/stories, identify at least 15 skills and qualities of a successful entrepreneur.